

---

# NYC Condo and Co-op Board Guidance

---

Capital Reserve Requirements & Reserve Studies

Reserve Studies by Strategic Inspections

2024 Residential Condo/Co-op Lending Requirements

Insurance Cost Increases and Policy Cost Reductions

Local Law 97 Capital Needs and Lending Compliance

---

Presented by **Orest Tomaselli, CEO, Strategic Inspections**

# Capital Reserve Requirements and Reserve Studies



Lending compliance now require on-site engineer inspections every 3 years



Utilized to avoid emergency repairs and capital special assessments to unit owners



Mortgage financing approval hinges on acceptable reserve study report



Insurers beginning to require Reserve Studies to provide policy quotes



Reports can include prescribed and approved Local Law 97 component upgrades



Well funded condo/co-op properties can see large insurance cost reductions

- » Capital Reserves are utilized for the repair and replacement of common area components that include mechanical, structural, roof, exterior, amenity, hallway, lobby and exterior components.
- » A Reserve Study report lists and categorizes each common area component, provides an engineer inspection property condition assessment, and determines a cost for repair and replacement for each component over a 30-year horizon utilizing an inflation and interest calculation.
- » The key to providing an accurate Reserve Study report is to create a custom funding plan utilizing current amassed capital, building loans and maintenance costs to determine a minimum threshold of funding each year to prevent special assessments when possible.

# Reserve Studies by Strategic Inspections



## Tech Enabled Reports

- » Strategic Inspections is New York City's most utilized Reserve Study firm. In 16 years, we've provided more than 4500 Reserve Study reports and property inspections by our Professional Engineers on condo and co-op buildings in NYC.
- » We lead the industry in developing compliant reserve study reports that utilize our custom technology so that board members and managers have password protected online secure access to capital component condition, repair planning, project completion and lending compliance.
- » We developed the only "Lender Property Analysis" Reserve Study report in existence that is utilized to provide an easy to digest overview for banks to make lending determinations for borrowers and secure commercial capital lending.
- » We're experts at utilizing existing capital savings to develop custom funding plans for our condo/co-op boards so that accurate capital requirement determinations can be made instead of arbitrary increases levied on unit owners.
- » We developed a customized plan embedded into every new Reserve Study report to implement repair and maintenance schedules based on Local Law 97 energy reports and board implementation.
- » We're experts in NYC properties and have performed custom reserve studies on buildings that have commercial components that require detailed cost splits for shared, common and commercial and residential only component costs.
- » Our experience is well documented, and we are routinely recommended as a "first choice" for most, if not all, property management firms in NYC.



## On-Site Engineering Inspections



## Comprehensive Board Discussion

# 2024 Residential Condo/Co-op Lending Requirements



- » As a result of Fannie Mae & Freddie Mac guideline changes for condo and co-op mortgage financing, and the subsequent reciprocal requirements from jumbo and portfolio lenders in NYC, condo and co-op boards are now forced to make decisions that impact capital reserve contributions, property insurance and structural and mechanical component repair that reduce liability for the buildings decision makers.
- » Boards and management of both luxury and affordable condo/co-op buildings in NYC are encouraged to act to ensure that both conforming and jumbo mortgage lending is available for both purchasers and owners.
- » New lending requirements enacted in late 2023 now require larger capital reserve balances to be held in segregated reserve accounts, affirmation of both mechanical component and building-wide structural soundness and detailed information on financial planning that includes caps on special assessments, commentary on Local Law 97 compliance and insurance deductibles fully funded in cash.
- » Condo/Co-op buildings with “Unavailable for Lending” designation by Fannie Mae and/or Freddie Mac face reciprocal denials by jumbo, portfolio and non-warrantable lenders.



## “Unavailable for Lending”

designation issued by lending agencies for buildings throughout NYC



Fannie Mae and Freddie Mac require banks to warrant building condition prior to mortgage approval



Jumbo and Conforming lending in condo/co-op buildings impacted by new guideline release



Residential mortgage financing availability is impacting unit value and purchaser interest

# Insurance Cost Increases and Policy Cost Reduction



Insurance carriers focused on property condition, available capital reserves and lending compliance.



Reserve Studies can substantially reduce insurance costs for healthy condo/co-op buildings



Lending compliance requires on-site engineer inspection every 3 years with Reserve Study report updates



- » Condo and Co-op building insurance costs have surged in some buildings by more than 300% in the last 24 months.
- » Carriers are beginning to require Professional Engineer site inspections and Reserve Studies to provide a quote for insurance.
- » Well managed condo/co-op buildings that are structurally sound, have ample amassed capital reserves, have little to no mechanical component deferred maintenance and have enough capital to pay for needed repairs, upgrades and local law 97 carbon reduction costs are substantially reduced insurance premium costs.
- » Strategic Inspections focus on compliance ensures accurate reports for carrier review and approval.

# Local Law 97 Capital Needs and Lending Compliance



Energy reports outline carbon emissions reductions requiring component upgrades



Reserve Studies used for LL97 capital needs planning and component repair analysis



LL97 fines can trigger “unavailable” mortgage lending designation

- » New carbon emissions reduction laws have been thoroughly reviewed by lenders and lending agencies.
- » Condo/co-op buildings subject to fines for non-compliance are being made “unavailable” for lending without detailed capital and component condition reports.
- » Lending in condo/co-op buildings can be cleared with a reserve study defining future capital needs based on component condition and LL97 energy reports.
- » Commercial capital loans to condo/co-op buildings now accepted.
- » Condo/Co-op buildings readily seeking commercial capital loans in lieu of special assessments.



Strategic Inspections Provides Both Local Law 87 and 97 Energy Reports Upon Request

# RESOURCES



## Articles and Links

- Fannie Mae Lending Guidelines
- Freddie Mac Guideline
- Fannie Mae FAQ

Fannie Mae Lender Letter  
Final Condo and Co-op Guidelines:

<https://singlefamily.fanniemae.com/media/36376/display>

Freddie Mac Bulletin  
Condo and Co-op Guidelines:

<https://guide.freddiemac.com/app/guide/bulletin/2023-15>

Fannie Mae FAQ Link

<https://singlefamily.fanniemae.com/media/22326/display>

## Strategic Inspections

Reserve Study Reports

### Order:

<https://www.strategicinspections.com/request-a-proposal/>



[order@strategicinspections.com](mailto:order@strategicinspections.com)

## Customer Service

Mercedes Good:



[mercedes@strategicinspections.com](mailto:mercedes@strategicinspections.com)

Product Information



[Orest@strategicinspections.com](mailto:Orest@strategicinspections.com)

Strategic Blog



<https://www.strategicinspections.com/blog/>

---

# Strategic Inspections Contact Information



[order@strategicinspections.com](mailto:order@strategicinspections.com)



(888) 459-9555



150 Main Street, Suite 2  
Port Washington, NY 11050



[www.strategicinspections.com](http://www.strategicinspections.com)

## Comprehensive Reserve Studies and Energy Reports

Tech Enabled  
Reports

Electronic  
Delivery

On-Site Engineer  
Inspections

Local Law 87 & 97  
Energy Reports